APS Notes during hearing June 07

We have been trying for two years to get APS to tell us how they are under-earning. They haven't proven it in this case – only $6 million being allowed in non-fuel costs.

Exhibit 77: docketed November 28, at the end of the evidentiary hearing. Staff objected to it as unreliable.

We don't know whether it is reliable.

Lynn asked them about operating expenses.

We also don't know how much depreciation they have to pay for the additional necessary plant. The plant in place is being depreciated, which means they are getting cash for new plant.

There can be economies of scale plant and operating expenses; they didn't present an analysis of what would happen to their operating expenses at all.

All they did was list the projected construction costs, divided it by the number of customers they will have, to show an ROE shortfall.

Those costs included refurbishing & transmission costs and none of those have been analyzed by any party.

If those efficiencies/economies are imbedded in #77 for operating expenses and plant, how much is their savings? What is the amount and please ?? it to the transcript.

They have filed a financing application and upped the limit on the amount of debt they have – if the order doesn't meet their requirements, then how can they incur additional debt? (Dec. 15)

Evidently APS still thinks the rates they have are adequate to support additional debt, and if they don't think they have adequate revenue to support the financing, they shouldn't be doing it.

Taking on additional debt.

They are also focusing on total company, which includes all of the things that are disallowed –they don't use rate base and revenues for a rate case. It's like taking a rate and applying it to a whole different set of rate base + expenses. Maybe they need to minimize the expenses that are not allowed in the rate base: the Rate of Return would be higher. The $400,000 for sack lunches. We took it out, so it's not legitimate, yet when they do the total company numbers, those numbers are still in there. Any rate loss disallowance or operating expense disallowance or any non-jurisdictional things like FERC assets. They can get more cash for a FERC rate increase.